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Top 100 growth rate rebounds

by Richard Martin

Following the recession's severe stifling of sales last year, the collective growth rate of foodservice's Top 100 chains is on the rise in 1992 as many of the industry's highest-grossing concepts struggle to accelerate their expansion and exploit new marketing ploys.

Led by the dinner-house, family and pizza segments, the Top 100 chains will score a 5.5-percent nominal gain in domestic sales in the current year, to $96 billion, after growing by only 3.7 percent last year, according to Nation's Restaurant News' annual census of foodservice's leading chains and companies.

The foodservice revenues of the 100 top-grossing companies, meanwhile, will grow by an unadjusted 5.6 percent this year after a 3.8-percent rise in 1991, NRN's exclusive Top 100 forecasts reveal.

Such high-ranking chains as the Applebee's Neighborhood Grill & Bar and Ruby Tuesday dinner houses, Cracker Barrel Old Country Store family restaurants and Little Caesars Pizza are driving their respective categories to the forefront in terms of segment growth. The 13-chain dinner-house contingent leads the pack by setting a projected 10.3-percent systemwide sales growth pace this year.

Trading on their demographic strengths and perceived sales growth potentials, the top-ranked casual dinner houses are tapping low borrowing rates and building new restaurants at a breakneck pace. T.G.I. Friday's, Chili's and Applebee's are among the five chains in the segment that are expanding at double-digit clips this year, as projected by the Top 100 study.

But average-sales-per-unit growth throughout the Top 100's dinner-house segment is slight at best despite the burgeoning field's cumulative ascent.

For their part, the sister Red Lobster and Olive Garden dinner-house systems are defying demographic convention by rapidly invading small cities, where cheaper construction costs help compensate for average store sales that are some

*(See **GROWTH**, page 4)*

INSIDE NRN'S TOP 100

- **Segment-by-segment analysis**
- **Top 100 company rankings**
- **Top 100 chain rankings**
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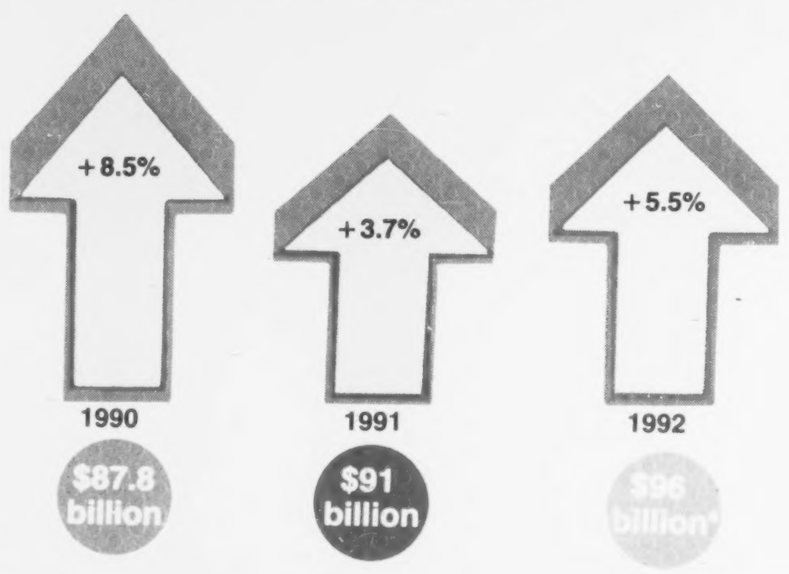
Total sales growth rate of the top 100 chains

(year-to-year percentage change)



*Projected

Source: NRN Research

Tarpy's rustles up Old West charm

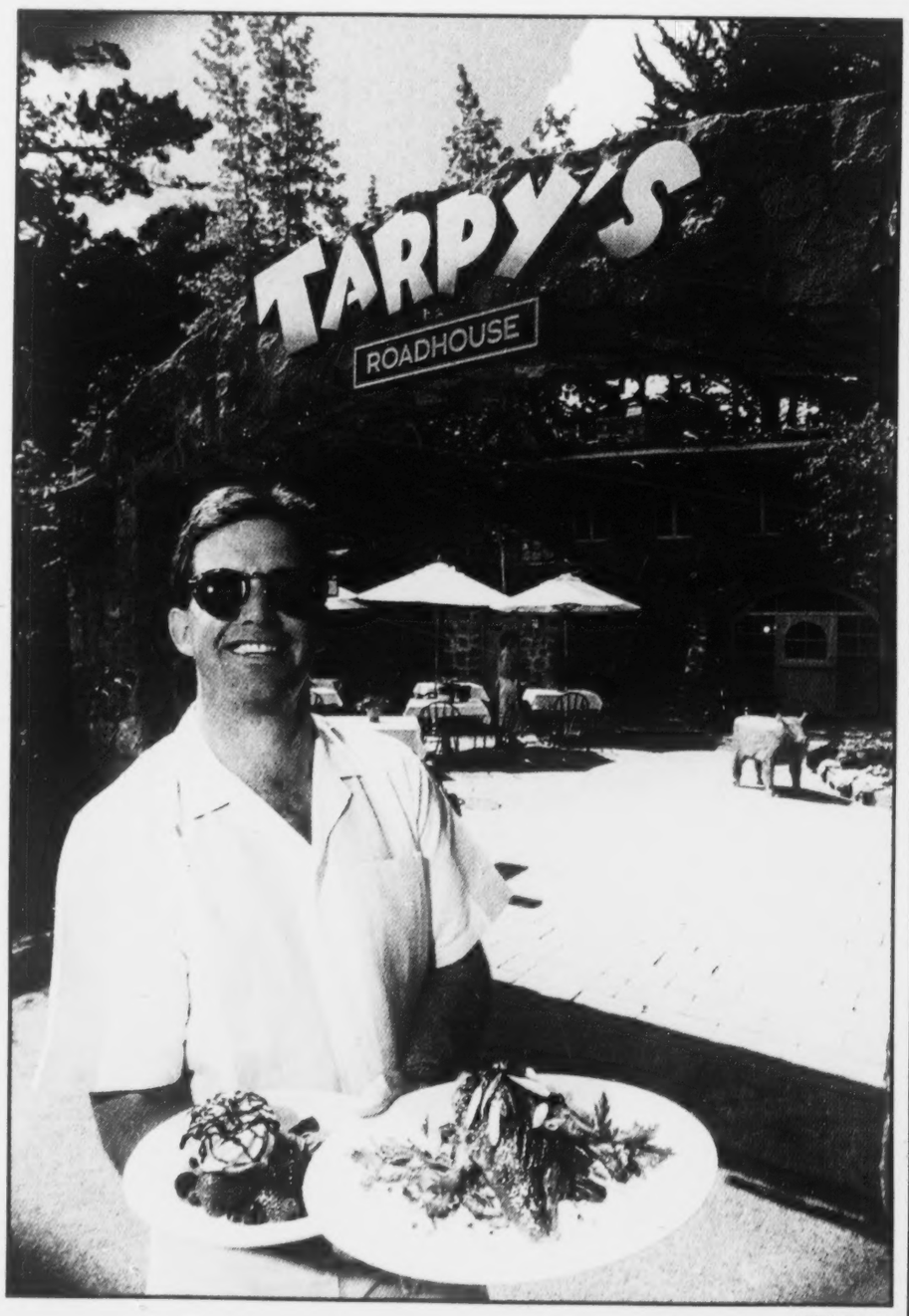
by Alan Liddle

DEL REY OAKS, Calif. — Tarpy's Roadhouse, a new highway-side venture by the operators of the thriving Rio Grill in Carmel, successfully combines the rough-and-tumble romance of the Old West with the rustic charm of a weathered European villa.

Open since late May, the restaurant is just off semirural Highway 68 in Del Rey Oaks. The "Y" intersection near the restaurant guides motorists to the coastal resort of Monterey and seaside village of Carmel; other surf cities, including Marina and Santa Cruz; and the rich farmlands surrounding Salinas.

Shrouded by trees, Tarpy's vine-covered stone walls and flower-dotted patio are easily overlooked by tourists in a hurry and new residents of the growing region. Despite the challenge, managing partner Tony Tollner said an average of

*(See **TARPY'S**, page 157)*



NRN Photo

Tarpy's Roadhouse co-owner Tony Tollner on the patio.

Food quality rift, sales slump spur shakeup at S&A

by Bill Carlino

DALLAS — The sudden ouster of S & A Restaurant Corp.'s top management team late last month was prompted by parent Metromedia Co.'s displeasure over stagnant sales growth and the departed executives' move to lower purchasing standards at the expense of food quality.

"The company hadn't seen top-line growth under present management," said Jennefer Hirschberg, a spokeswoman for parent Metromedia Co. "A company has to stay attuned to the needs of the customers. Metromedia intends to focus on upgrading quality and increasing volume."

Slater

Asked to resign from the company, which operates the 157-unit Steak and Ale and 223-unit Bennigan's chains, were S & A president Donald J. Slater; chief financial officer Robert S. Svehlak; senior vice president and general manager Jack Camp Fitch; and research and development vice president Andrew J. Revella, who also headed purchasing.

Contacted at their homes, both Slater and Svehlak declined to comment.

Metromedia has quickly installed Arnold J. Wadler, a senior vice president and veteran strategist, to oversee the company on an interim basis. The company confirmed circulating reports that Wadler arrived at S & A's Dallas headquarters with a company security officer in tow to "make sure none of the assets were taken" and to "oversee their departure."

"Metromedia is presently taking a more hands-on role in their restaurant holdings," Hirschberg said.

S & A's purchasing strate-

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NEWS BRIEFS

Pizza Hut eyes testing chicken to boost traffic

WICHITA, Kan. — Pizza Hut, reportedly ruffling the feathers of sister chain KFC, is planning to test several chicken products in an attempt to increase dine-in traffic at the chain's full-service restaurants.

Though a Pizza Hut official confirmed that the company has considered testing rotisserie or fried chicken items for some time, the company is not expected to begin testing a chicken line until early next year.

Meanwhile, Pizza Hut has recruited former Ponderosa executive vice president of marketing Richard Biederman to help determine whether the chicken route or other menu expansion, such as pasta, will be the best source for drumming up in-store business.

Biederman has been named to the newly created post of vice president of concept development at Pizza Hut and will be reporting directly to the pizza chain's new chief executive and president, Allan Huston.

Church's licensees, unsecured lenders back banks' plan

AUSTIN, Texas — Church's Fried Chicken franchisees and unsecured creditors of parent company Al Copeland Enterprises have endorsed a Chapter 11 bankruptcy reorganization plan for the company proposed by the Canadian Imperial Bank of Commerce and Merrill Lynch & Co.

The Church's Independent Franchise Association and the creditors also voted to reject Copeland's alternative proposal, paving the way for ratification of the CIBC-Merrill Lynch plan by U.S. Bankruptcy Court Judge Frank Monroe.

Under that plan Al Copeland Enterprises, which also owns the Popeyes Fried Chicken franchise chain, would be acquired by the lenders in a debt-for-equity exchange.

However, Copeland has filed a petition challenging the endorsement, claiming that the chairman of the creditors' committee saw confidential information that made him change his vote on Copeland's plan from "abstain" to "no."

Calif.'s Del Taco buys back national rights from Grace

COSTA MESA, Calif. — Del Taco Inc., operator and franchisor of the 280-unit Del Taco chain in California, has bought back the out-of-state rights to its brand from W.R. Grace & Co. and is launching an aggressive national franchising program.

Terms of the transaction were undisclosed.

"We're now officially the only Del Taco worldwide," said Kevin K. Moriarty, president and chief executive of the Costa Mesa-based chain of Mexican and American fast-food restaurants. "We've cleared the path for accelerated growth far beyond our Southern California roots."

W.R. Grace, the financially stressed chemicals and health-care products conglomerate, operated 66 Del Taco restaurants, primarily in the Southeast, as part of a 100-unit fast-food division based in Atlanta. In April, Grace, which held the rights to Del Taco outside California for more than a decade, sold the restaurants to segment-leader Taco Bell for an undisclosed sum.

The 27-year-old Del Taco, which ranks a distant No. 2 in the Mexican-fast-food market after "value" king Taco Bell, has been staging a resurgence with store remodelings, menu refinements and its own less-than-$1 pricing strategy.

Round Table ESOP buys 70% stake from investors

SAN FRANCISCO — Round Table Pizza Franchise Corp.'s employee stock ownership plan (ESOP) has bought nearly 70 percent of the company from outside investors for an undisclosed amount, bringing the ESOP ownership to 98.9 percent.

Round Table would not discuss why the independent investors liquidated the stock but did say that the only alternative to the ESOP buyout would have been an acquisition of the 568-unit, franchised chain by a "third-party buyer."

LEYE to manage Fog City Diner branch at mall

BLOOMINGTON, Minn. — Lettuce Entertain You Enterprises, the Chicago-based dinner-house group founded by Richard Melman, will manage the first U.S. branch of San Francisco's Fog City Diner in the colossal Mall of America here.

The high-grossing diner — a chrome-clad, '30s-style landmark that spawned a Tokyo clone — was fashioned by noted restaurant designer Pat Kuleto and launched in 1985 by Real Restaurants Inc. Co. founders Bill Higgins, chef Cindy Pawlcyn and Bill Upson, who formerly worked for Melman at the Pump Room in Chicago.

The Fog City concept, which boasts a stylish decor and a small-plates "grazing" menu featuring crab cakes, chili and a signature hamburger, is one of 22 full-service restaurants opening in the Bloomington mall, which is set to debut this month.

LA's Trumps set to end 12-year run in proposed sale

WEST HOLLYWOOD, Calif. — Trumps, the contemporary fine-dining restaurant whose opening in 1980 helped spark the ascent of Los Angeles' culinary reputation, would adopt a new name and menu concept following a proposed sale to the owners of Columbia Bar & Grill in Hollywood.

"It's time to kill it," said chef-owner Michael Roberts, blaming Trumps' planned sale on the recession and the city's fickle gourmets. "When you're 12 years old, people forget about you in this town," he said, declining to confirm that Columbia's owners had made a purchase offer.

A source said lease terms posed the last negotiating hurdle before a final sale agreement could be reached. A partner in Columbia Bar & Grill would not discuss plans for the Trumps site.

Roberts, whose inventive cuisine helped earn Trumps its induction into the Nation's Restaurant News Fine Dining Hall of Fame, said he plans to open a new west side restaurant with a menu influenced by Eastern European cooking.

ARA debuts food complex at vast Sears installation

HOFFMAN ESTATES, Ill. — ARA Services has launched the first phase of its foodservice operations — a branded fast-food court — at the new and sprawling Sears, Roebuck and Co. Merchandise Group based here.

Next month the Sears complex, which houses some 5,000 employees, will inaugurate its ARA-run main cafeteria, including a wok station, a grill, daily hot entrée selections, a pasta station, a salad bar, a made-to-order-sandwich deli and a build-your-own taco salad station.

In addition to the Philadelphia-based contractor's own ARA Grillworks concept, the fast-food court includes licensed Taco Bell, Connie's Pizza and Robinson's No. 1 Ribs outlets.

Pepsi's profits rise 15 percent

PURCHASE, N.Y. — Despite a subpar performance by the Pizza Hut division, PepsiCo Inc.'s restaurant group tallied sharp gains from Taco Bell and a resurgent KFC during its second quarter.

Year-to-year operating profits for the restaurant division jumped 15 percent, to $178 million, on a 15-percent rise in revenues, to $1.8 billion.

Pizza Hut, accustomed to double-digit gains in quarterly profits, posted only a 2-percent gain in operating income, to $80 million, for the three months ended June 13. The segment leader posted a 10-percent increase in revenues for the period, to $816 million.

PepsiCo said Pizza Hut was burdened by higher cheese costs, curbed discounting and declines in same-store sales.

KFC, meanwhile, expanded its operating income in the quarter by 50 percent from year to year, to $50.7 million, on a 23-percent increase in revenues, to $516.4 million.

The Taco Bell division's second-quarter operating profits rose 11 percent, to $47.3 million, on a top-line gain of 17 percent, to $552 million.

NEWS

Ciatti's directors resign after clash over acting prexy's planned changes

by Peter O. Keegan

EDINA, Minn. — More than half of Ciatti's Inc.'s board has abruptly resigned over a dispute about which direction to take the stagnant Italian dinner-house operator.

Former president William Ferril and board members Ben E. Fellows, Charles F. Ruhr and Paul Baszucki called a special directors meeting on July 20, and then they handed in their resignations to the three remaining directors, chairman L.E. "Dan" Danford, acting president and chief executive officer Phillip Danford and director and founding investor Thomas A. Kelm, a political lobbyist.

None of the four exiting directors returned phone calls from this publication.

"There was a difference in opinion in which direction the company should go, but I did not know that they would all resign en masse," Danford said. "We made it clear that we are not opening any more units the way the concept is presently."

Danford said the company is trying to make the 13-unit regional chain more casual and has taken a "step in the right direction" with a new unit that recently opened in Woodbury, Minn. Ciatti's interior umbrellas, similar to those at Olive Garden, have been removed at that restaurant to create a more open atmosphere with fewer booths. The design is "funkier," Danford said, with the waitstaff clad in Bermuda shorts and t-shirts.

"We want to differentiate ourselves from Olive Garden," Danford explained. "They are going after the Red Lobster market; our customer is more upscale with a higher education and higher income."

Danford said a future prototype could include open kitchens and a wood-fired brick oven for pizzas. He noted that the changes could be instituted in the next six months to a year.

According to sources, a rift between the four board members and Philip Danford was the impetus behind the exodus. After Ferril exited in May, Phillip Danford, 43, stepped in as interim president while his brother and Ciatti's co-founder Dan Danford Jr. was named chairman of the board.

Older brother Dan had stepped down as president in 1988 to pursue a career with investment banking firm Piper Jaffray & Hopwood in Minneapolis, handing the role to Ferrill. Phillip Danford, a "hands-on" entrepreneurial person, was temporarily moved up from his position as executive vice president, chief operating officer and director — a position he has held since 1988.

Chairman Danford said that the search is ongoing for a permanent president and chief executive and that his brother Phillip was a "strong candidate."

Ciatti's was launched by the two Danford brothers 10 years ago. Phillip Danford worked in the first Minneapolis restaurant in 1982 for a year as chef and general manager, putting together the menu and fine-tuning the concept operationally.

He left for New York City after the resignations to look at concepts and trends — part of an ongoing tour of the nation — and has his own ideas about turning sales around through concept changes.

"He has ideas, and so do I; the whole company is working on it," observed chairman Danford, who scoffed at reports that the four directors were "miffed" that Phillip Danford was not sharing his plans with them.

Another bone of contention between the two factions was Danford's refusal to bring in consultants to help shape strategies for the chain's future. "We don't believe that you show leadership by hiring consultants," Dan Danford said.

Ciatti's has been stung by hard times in the upper Midwest as well as by increased competition and lagging same-store sales.

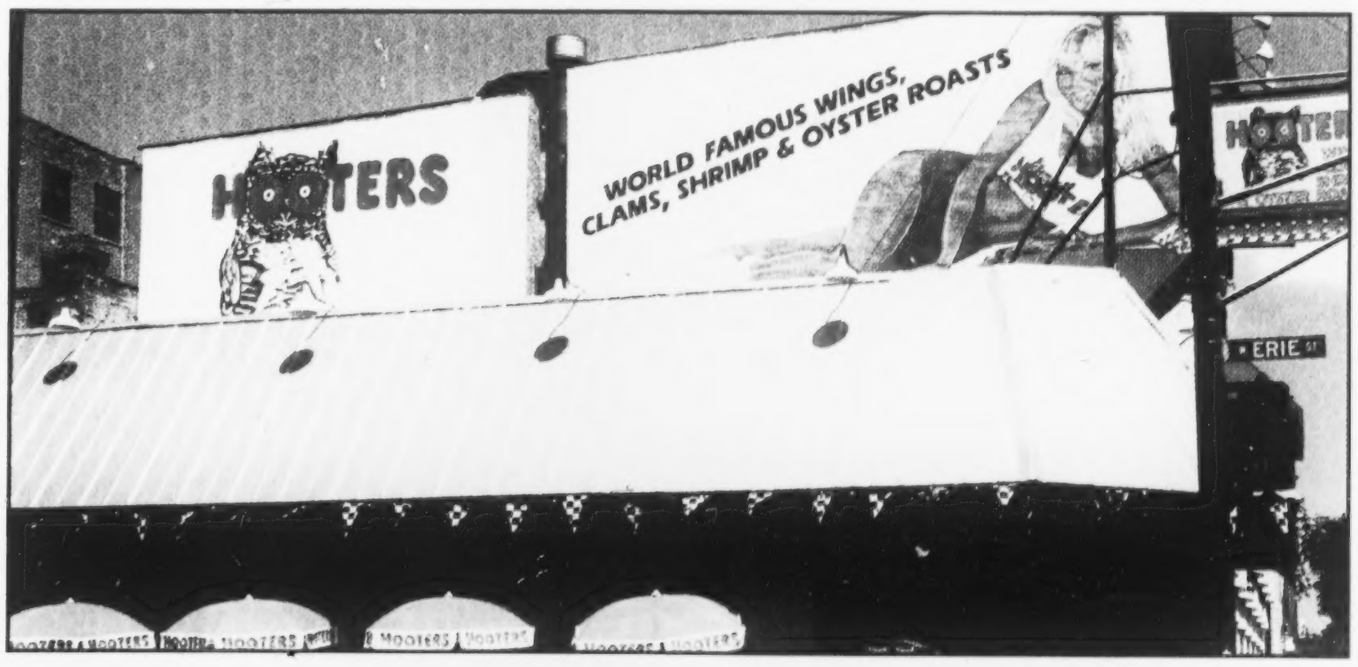
"In order to appeal broadly and achieve strong numbers," Danford explained, "we want the concept in concert with current lifestyles."

For the third quarter ended March 29, net income rose 156 percent, to $239,000, for the period, with sales for the period, boosted by three new store openings, up 22 percent, to $5.7 million. But profits for the nine months plunged to $25,000, compared with $233,000 for the year-ago period, despite a 13-percent rise in sales, to $15.3 million.

In the second quarter, the company said that general softness and the economy contributed to a $91,000 loss. Since an initial public offering was made three years ago, the local over-the-counter stock has dipped to $1 from an initial high of $3.

"We feel that the concept, while good, is not great," Danford pointed out. "To achieve the revenues and earnings numbers we want, it has to be more casual and appeal to a stronger audience.

"People want more than good food at a good price," he added. "Consumers want an atmosphere that is inviting and fun."



Mount Prospect rejected Hooters' proposal to build a unit similar to this one in downtown Chicago.

Chicago suburb rejects Hooters unit as offensive

by Carolyn Walkup

MOUNT PROSPECT, Ill. — Saying that it finds the concept distasteful, the village board of this northwestern suburb of Chicago has rejected a proposal from Hooters Restaurants to build a 7,540-square-foot restaurant here.

Leo Floros, a village trustee who voted with the majority in the 3-2 decision, stated: "An awful lot of people — we are talking mostly women — find its marketing approach to be offensive. It's not the kind of thing we need or want in a family community."

Hooters is as fast-growing Atlanta-based casual dinner-house and bar chain that features all-female dining room crews. The provocative uniforms worn by Hooters' invariably young, attractive waitresses — consisting of tank tops and short shorts — have raised objections of some citizens, particularly when those uniforms are displayed on reclining models on billboards.

Not all trustees lined up against the concept, however. Trustee George Clowes, who voted in favor of Hooters' proposal after visiting a unit in downtown Chicago, said: "The Constitution doesn't say you have a right not to be offended. I don't think it's the place of a village board to exercise police power in rejecting this restaurant. Let the marketplace decide."

Since one Mount Pleasant trustee was not present for the vote, it's possible he could bring up the issue for another vote at a future meeting. The issue came

*(See **HOOTERS**, page 156)*

Ex-Disney exec Vance to speak at MUFSO

by Rick Van Warner

DALLAS — Creative thinking expert and former Disney executive Mike Vance will speak about entrepreneurial spirit, motivational management and creative leadership during an address at Nation's Restaurant News' Multi-Unit Food Service Operators conference — MUFSO — here Sept. 21.

Vance worked with Walt Disney during the development of Walt Disney World. He served as dean of Disney University, the company's renowned training facility, and was in charge of idea and people development for Walt Disney Productions, Disneyland and Walt Disney World.

Today Vance delivers seminars and helps businesses design comprehensive training and development programs. He has helped such companies as Apple Computer, Pillsbury, General Foods and Avon products apply his creative approach and techniques. Through his Vance Design Inc. he helped General Electric design its $6.5 million training facility.

Vance got started early in the speaking business when he hosted a radio talk show called "Teen Talk," during his high-school years in Greenville, Ohio.

The Ohio State University graduate served two years as an infantry officer in the Korean war, where he started several orphanages for Korean children. After he returned to the United States, he founded a church for children in Columbus, Ohio, and a youth camp in California.

Mike Vance

Returning to the realm of public speaking, he later created, produced and directed his own television talk show in Los Angeles. He credits that show, which was called "Men at the Top," with exposing him to the philosophies of the many successful leaders whom he interviewed.

NRN's 33rd Annual MUFSO conference will be held Sept. 20-23 at the Loews Anatole in Dallas. For more information contact MUFSO manager Coleen Harte at (212) 756-5199.

NEWS

Bresler's adds Pro*Portion Cafes to its stable

by Carolyn Walkup

DES PLAINES, Ill. — Continuing in its growth mode, Bresler's Industries has acquired Pro*Portion Cafes of Hauppauge, N.Y., a 13-unit chain of quick-service, healthful-menu restaurants operated on Long Island, N.Y.

Bresler's, operator of Bresler's Ice Cream & Yogurt, Cafe Bresler's and Larry's Ice Cream & Yogurt, plans to expand Pro*Portion Cafes from its Long Island base, according to David Lasky, Bresler's president.

Portion-controlled foods for dieters will be maintained, and more mainstream healthful items will be added.

"Our acquisitions are targeted in the healthy-eating, quick-service segment, where we see great growth potential, as well as in the dessert field, where Bresler's has been successful for many years," Lasky said.

Bresler's also purchased the Florida-based Larry's Ice Cream & Yogurt in 1990.

The company declined to reveal what it paid for Pro*Portion.

Created originally for dieters, Pro*Portion Cafes have operated since 1984 under founder Richard Rubin, who was formerly a vice president of Weight Watchers Suffolk.

Many units are located in strip centers near Weight Watchers centers. However, "that's not necessarily the direction we will be taking," said Michael Rapaport, Bresler's director of marketing. "We will expand that to the healthy eater." Nevertheless, Bresler's hopes to retain current customers who are following weight-loss diet plans.

Dennis Jarrett, who developed Cafe Bresler's — the company's full-meal expansion vehicle — will spearhead the Pro*Portion expansion as well. Cafe Bresler's offers salads, sandwiches, quiche and focaccia with toppings as well as ice cream and yogurt.

Current Pro*Portion signature items include Scrambled Salads and pita pocket sandwiches. Ten salad varieties are available, ranging from a chef's salad for $5.75 to a shrimp salad for $6.25, made to order with a choice of low-calorie dressings. Calorie counts are listed on menu boards.

Other items include pita pizzas, quiche, stuffed baked potato, soups and "egglettes" — omelets prepared with no added fat, served with a half pita. Pro*Portion also features a retail line of portion-controlled frozen prepared entrées and desserts.

"There are frozen desserts in all of our concepts," Rapaport pointed out, noting that Bresler's retains its original focus on ice cream.

The 60-seat shops generate an all-day average check of about $6.

Pro*Portion units currently average about $450,000 each, Rapaport reported. The company expects to increase sales by broadening the concept's appeal to a wider market.

Only one Pro*Portion manager, Maureen Sullivan, territory manager, remains with the company, said Jarrett, who added that Rubin wanted to move on to other career interests.

Bresler's intends to expand all of its concepts through franchising, here and abroad. The company recently signed its first international agreement in Saudi Arabia for Bresler's Ice Cream & Yogurt shops.

Bresler's franchises about 300 ice-cream and yogurt shops in 30 states. It is targeting Cafe Bresler's — a full-meal concept — for future expansion and hopes to have 75 units open in three years.

The company is projecting total annual sales of about $65 million for this year.

Growth rate of NRN's Top 100 rebounds

(Continued from page 1)

30 percent lower than in metropolitan settings.

Family chains in the Top 100, meanwhile, are boosting their segment's sales total by nearly 9 percent this year by promoting menu diversities and service upgrades — a strategy that is helping the family-restaurant leaders fend off challenges from discounting dinner houses and value-pricing fast feeders.

Aided by everything from delivery agreements with hotel chains to computerized customer dossiers that permit unit-level "micro-marketing," the eight pizza chains in the Top 100 rankings are on track to post a collective 8.5-percent gain in total sales this year.

Among those chains keeping the sandwich segment in the running are the fast-growing Subway and Rally's systems, which are stealing market share from the burger giants and the category's other "value war" victims.

Although PepsiCo Inc.'s chains easily enable the company to retain its No. 1 slot as the industry's largest foodservice company, the Top 100 rankings of corporate growth are topped by the Subway and Rally's chains' parent organizations, each of which is projected to score annual revenue gains exceeding 60 percent.

Consumer doubts sting chains

Despite upticks in the Top 100's growth rate since the end of 1991, foodservice's leading cash cows remain thwarted by consumers' uncertainties amidst high unemployment and declining rates of real disposable income.

The lackluster economy has even had a direct influence on the marketing themes of chains whose own fortunes are flagging, as in the case of Domino's Pizza and its offer of discounts to customers holding layoff notices and job rejection letters.

Most directly affected by the nation's sluggish economy are outfits in the Top 100's slow-growing contract foodservice segment, which includes several chains that are seeking to boost their number of institutional and recreation accounts to offset falling revenues caused by belt-tightening among business-and-industry clients.

Moreover, the unwieldy debt burdens carried by households and many companies in the Top 100 continue to suppress both dining-out spending and the funding of restaurant upgrades and chain expansion.

Growth up but still lags 1990

Although growing at a faster pace than in 1991, the chains and companies ranked in NRN's Top 100 report are expected to lag far behind their rates of sales and revenue growth of as recently as 1990, when the chains posted an unadjusted 8.5-percent gain and the companies scored a combined 7-percent surge.

While 24 of the Top 100 chains are expected to boost their systemwide sales by more than 10 percent in 1992, only 14 of the 100 chains would post those kinds of growth rates in terms of new-unit development, the report concludes.

On another unfriendly note, the study's projections indicate that more than 60 percent of the chains in the Top 100 this year will fail to attain per-unit sales gains exceeding the prevailing 2.4-percent rate of menu-price inflation — suggesting widespread real-sales declines from last year's levels.

By year end only five foodservice systems in the Top 100 are expected to show double-digit growth in their sales-per-unit average. The fastest-growing of those five happens to be Kmart, whose far-flung licensed Little Caesars outlets are expected to boost average food and beverage sales at the retailer's stores by nearly 30 percent.

Cross-market ventures on rise

The Little Caesars-Kmart venture is but one example of the many cross-market forays and non-traditional business tactics being undertaken by Top 100 players. Many are scurrying to test new markets, tinker with their menus or implement service upgrades in frenzied efforts to seduce recession-rocked consumers out of their home kitchen and away from competitors.

McDonald's, while suffering from continued erosion in its leading share of the market held by the Top 100's 17 sandwich chains, is experimenting with a range of novelties designed to cement its lofty rank as the industry's top-grossing brand. Among the chain's new test ventures are a self-contained mobile restaurant in a 48-foot-long truck trailer, which has set up shop at a South Carolina beach campground.

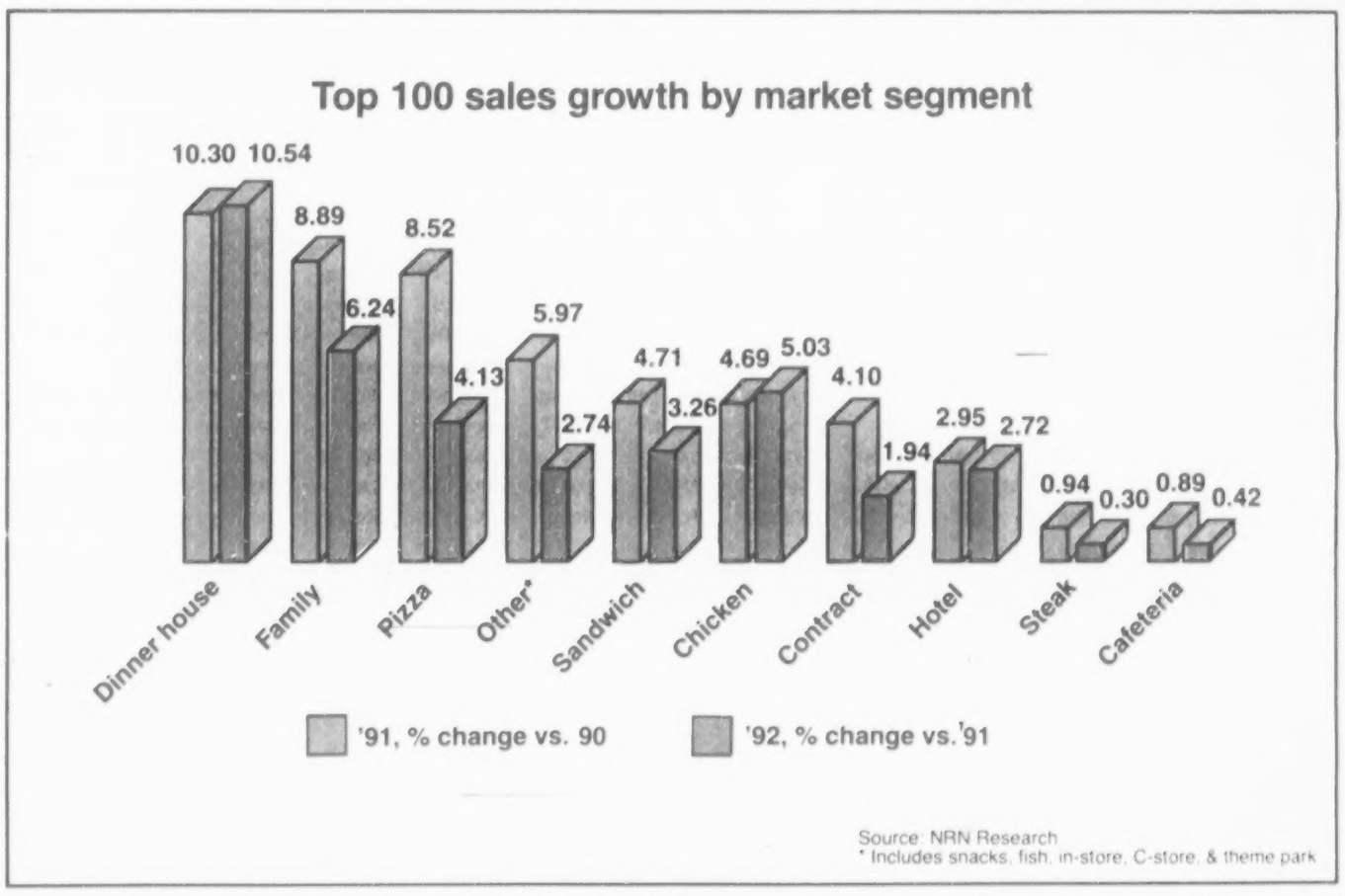
The latest dinner entrée tests by McDonald's, in two of the chain's markets in Tennessee and New York, include roasted chicken, spaghetti and meatballs and fettuccine Alfredo.

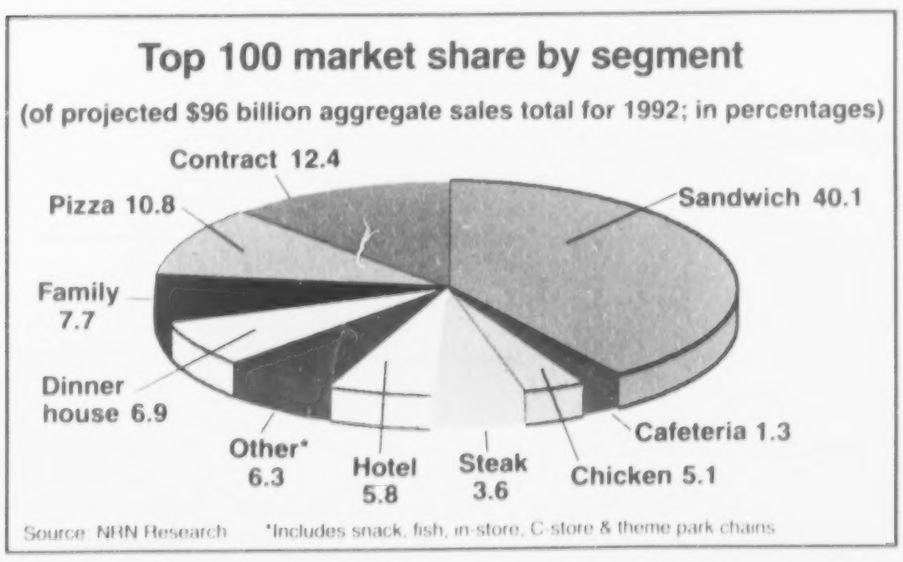
Pasta is also on the diversification menu of segment leader Pizza Hut, whose new Fastino's drive-through concept seeks to make pasta items and pizza by the slice as much a part of America's fast-food lifestyle as burgers and fries.

Some McDonald's units, meanwhile, have begun selling fried chicken, a product category whose unexpectedly rising popularity of late is giving the four big chicken chains in the Top 100 hope for brighter days.

However, outside of the dinner-house segment, whose sales growth rate is running a slight 0.2 percent lower than last year's, the chicken contenders constitute the only Top 100 category projected to see its collective sales advance at a slower pace than in 1991.

Trailing the industry's leading big-bucks players in aggregate sales growth are the hotel foodservice, steak and cafeteria groups, whose chains are obtaining only modest gains.





CORRECTIONS

It is the policy of Nation's Restaurant News to correct errors as promptly and as completely as possible.

Please bring errors to the attention of Rick Van Warner, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022. Phone (212) 756-5200. Fax (212) 756-5125.